



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 5/24/2000

GAIN Report #MX0083

Mexico

Tomatoes and Products

Semi-Annual

2000

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Report Highlights:

The forecast of Mexico's total tomato production for MY 1999 is revised downward based on less planted area. This is attributed to oversupplies and lower prices from last year's record production. Exports are also expected to be lower due to supply pressure against the U.S. minimum floor price. Tomato paste production for MY 2000 is forecast to decrease due to high international stocks.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
Mexico [MX1], MX

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SECTION I. SITUATION AND OUTLOOK

The Economy

The outlook for the Mexican economy continues to brighten after the uncertainty caused by the economic crises in Russia, Asia, and Brazil during the latter part of 1998 and early 1999. The nearly tripling of world oil prices combined with the Government of Mexico's (GOM) conservative fiscal and monetary policies have led to considerable strength in the Mexican economy. Estimated at 3.5 percent, GDP growth for 1999 surpassed earlier expectations, and the Bank of Mexico made believers out of skeptical market analysts by finishing 1999 below its 13 percent inflation target for the year, with an estimated 12.3 percent inflation rate.

That optimism is substantiated by the trade data. Mexico's exports increased 16 percent during the first eleven months of 1999 compared to the same period in 1998. Meanwhile, imports increased 12.9 percent and the trade deficit decreased by 36.7 percent during the same period. Higher oil prices and a more robust U.S. economy are the primary reasons for these improvements. The United States remains by far the most important market for Mexico's exports (88 percent in 1998) and the most important source of imports (74 percent).

Looking forward to 2000, the government projects that the current account deficit will be approximately US\$15.4 billion, a figure that would constitute a manageable 3.1 percent of GDP, but that's an increase from the 2.8 percent estimated for 1999. The GOM official inflation target for 2000 is 10.0 percent. The yearly average exchange rate is forecast at 10.4 pesos/US\$, which would be a modest depreciation from the average rate of 9.6 that prevailed in 1999. The GOM is targeting a fiscal deficit of only 1.0 percent of GDP, a decrease from the 1.25 percent deficit estimated for 1999..

Achieving these projections depends in a large part on strong oil prices. The higher than expected GDP growth rate in 1999 and the strength of the trade account are largely attributable to the rise in oil prices. Moreover, the GOM receives nearly one-third of its revenues from oil. The GOM used US\$16.0 per barrel to prepare the 2000 budget, a very reasonable target price given that the agreement to limit supply by the main exporting countries is likely to be extended for a good part of 2000. The price of the Mexican crude closed at US\$22.32 in December 1999. (NOTE: Mexican crude oil is a lower grade than North Brent crude.)

These reasons for optimism notwithstanding, it's important to note that the Mexican market tends to overreact to good or bad news and could be adversely affected by external or internal shocks. In particular, the Mexican economy is susceptible to U.S. economic conditions. A significant downturn in the U.S. economy, a large sustained correction in the U.S. equities market, or a pronounced increase in U.S. interest rates, could all trigger a downturn in Mexico. Internal politics also could present a threat to the economy. Mexico will be holding elections in July and the country has a history of economic turmoil in the year of or following elections.

Tomato Situation and Outlook

The forecast of total Mexican tomato production for MY 1999/00 (October/September) is revised downward to 2.30 million metric tons, or a 5 percent decrease compared to MY 1998, due to less planted area. This is attributed to oversupply problems. Winter tomato exports for MY 1999 sold at low prices mainly during the first months of 2000 due to oversupplies in Sinaloa and Florida. Therefore, to prevent going below the U.S. reference price, the volume exported decreased. Tomato paste production forecast for MY 2000 was lowered

due to an international glut. Thus, exports are also forecast to be down.

SECTION II. STATISTICAL TABLES

FRESH TOMATO PRODUCTION TABLE

PSD Table						
Country	Mexico					
Commodity	Fresh Tomatoes		(HA)(MT)			
	Revised1997		Preliminary 1998		Forecast 1999	
	Old	New	Old	New	Old	New
Market Year Begin	10/1997		10/1998		10/1999	
Plnt For Fresh Consump	76107	76107	77500	78212	78600	74000
Plnt For Processing	6500	6500	6500	6500	5400	5000
TOTAL Area Planted	82607	82607	84000	84712	84000	79000
Harv. For Fresh Cons.	72752	72752	73700	76712	75400	73000
Harv. For Processing	6300	6300	6300	6300	5200	4800
TOTAL Area Harvested	79052	79052	80000	83012	80600	77800
Fresh Sale Production	1957483	1957483	1920000	2060619	2085600	2060000
Processing Production	300000	300000	380000	370000	250000	240000
TOTAL Production	2257483	2257483	2300000	2430619	2335600	2300000
TOTAL SUPPLY	2257483	2257483	2300000	2430619	2335600	2300000

TOMATO PASTE PRODUCTION TABLE

PSD Table						
Country	Mexico					
Commodity	Tom. Paste,28-30% TSS Basis				(MT)(MT, Net Weight)	
	Revised 1998		Preliminary 1999		Forecast 2000	
	Old	New	Old	New	Old	New
Market Year Begin	03/1998		03/1999		03/2000	
Deliv. To Processors	290000	290000	380000	370000	250000	240000
Beginning Stocks	0	0	0	0	0	0
Production	42000	43500	55000	53000	37000	36000
Imports	6000	5656	5800	10000	5900	6000
TOTAL SUPPLY	48000	49156	60800	63000	42900	42000
Exports	13000	18427	26800	23593	12400	12000
Domestic Consumption	35000	30729	34000	39407	30500	30000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	48000	49156	60800	63000	42900	42000

TRADE MATRIXES

<i>Tomatoes</i>		UNITS: <i>METRIC TONS</i>	
<i>EXPORTS FOR 1999 TO:</i>		<i>IMPORTS FOR 1999 FROM:</i>	
<i>U.S.</i>	662,731	<i>U.S.</i>	12,521
OTHER		OTHER	
EL SALVADOR	6,808		0
TOTAL OF OTHER	6,808	TOTAL OF OTHER	0
OTHERS NOT LISTED	663	OTHERS NOT LISTED	0
GRAND TOTAL	670,202	GRAND TOTAL	12,521

SOURCE: 1993, 2000. Global Trade Information Services, Inc. World Trade Atlas, Mexico Edition, January 2000.

<i>Tomato Paste</i>		UNITS: <i>METRIC TONS</i>	
<i>EXPORTS FOR 1999 TO:</i>		<i>IMPORTS FOR 1999 FROM:</i>	
<i>U.S.</i>	23,029	<i>U.S.</i>	9,210
OTHER		OTHER	
CUBA	173	CHILE	1,315
TOTAL OF OTHER	173	TOTAL OF OTHER	1,315
OTHERS NOT LISTED	391	OTHERS NOT LISTED	380
GRAND TOTAL	23,593	GRAND TOTAL	10,905

SOURCE: 1993, 2000. Global Trade Information Services, Inc. World Trade Atlas, Mexico Edition, January 2000.

TARIFF SCHEDULE

NAFTA TOMATO TARIFF SCHEDULE		
H.S. 0702.00.20 SUBHEADING 9906.07.08 TOMATOES, FRESH OR CHILLED		
TARIFF SEASON	TARIFF - CTS/KG	SAFEGUARD BASE (MT)
Jan. 1, 1994 - Feb. 28, 1994	2.97	No Limit
Nov. 15, 1994 - Feb. 28, 1995	2.64	172,300,000
Nov. 15, 1995 - Feb. 29, 1996	2.31	177,469,000
Nov. 15, 1996 - Feb. 28, 1997	1.98	182,793,000
Nov. 15, 1997 - Feb. 28, 1998	1.65	188,277,000
Nov. 15, 1998 - Feb. 28, 1999	1.32	193,925,000
Nov. 15, 1999 - Feb. 29, 2000	0.99	199,743,000
Nov. 15, 2000 - Feb. 28, 2001	0.66	205,735,000
Nov. 15, 2001 - Feb. 28, 2002	0.33	211,907,000
Nov. 15, 2002 - Feb. 28, 2003	0.00	218,264,000
Beginning March 1, 2003, quantitative limitations shall cease to apply.		

NAFTA TOMATO TARIFF SCHEDULE		
H.S. 0702.00.20 SUBHEADING 9906.07.03 TOMATOES, FRESH OR CHILLED		
TARIFF SEASON	TARIFF - CTS/KG	SAFEGUARD BASE (MT)
March 1, 1994 - July 14, 1994	4.14	165,500,000
March 1, 1995 - July 14, 1995	3.68	170,485,000
March 1, 1996 - July 14, 1996	3.22	175,579,000
March 1, 1997 - July 14, 1997	2.76	180,846,000
March 1, 1998 - July 14, 1998	2.30	186,272,000
March 1, 1999 - July 14, 1999	1.84	191,860,000
March 1, 2000 - July 14, 2000	1.38	197,616,000
March 1, 2001 - July 14, 2001	0.92	203,544,000
March 1, 2002 - July 14, 2002	0.46	209,650,000
Beginning in calendar year 2003 quantitative limitations shall cease to apply.		

Note: Includes all tomato varieties except cherry tomatoes. Cherry tomatoes tariffs under NAFTA are duty free since January 1, 1998.

NAFTA TOMATO PASTE TARIFF SCHEDULE	
H.S. 2002.90.99 TOMATO PASTE	
Year	Duty
1999	4.60
2000	3.45
2001	2.30
2002	1.15
2003	0.00
Tomato paste imports are subject to a 20% duty for all non-NAFTA suppliers	

FRESH TOMATO PRICES

WHOLESALE TOMATOES PRICES Pesos/Kilogram			
Month	1999	2000	Change %
January	15.50	4.25	(72.58)
February	4.11	3.66	(10.95)
March	6.00	5.60	(6.67)
April	7.00	6.00	(14.29)
May	5.87	4.70*	(19.93)
June	6.06	N/A	N/A
July	9.05	N/A	N/A
August	7.53	N/A	N/A
September	8.06	N/A	N/A
October	3.99	N/A	N/A
November	5.07	N/A	N/A
December	9.30	N/A	N/A

* As of first week of May 2000.

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS

AVERAGE EXCHANGE RATE 1999 USD\$1.00 = \$9.55 PESOS

EXCHANGE RATE (MAY 19, 2000) USD\$1.00 = \$9.57 PESOS

SECTION III. NARRATIVE ON SUPPLY & DEMAND POLICY & MARKETING

FRESH TOMATOES

PRODUCTION

The forecast of Mexico's fresh tomato production for MY 1999/2000 (October/September) has been revised downward to 2.06 million metric tons from previous estimates and close to MY 1998 production. Area planted has also been revised downward to 74,000 has. According to producers, due to the oversupply problems during MY 1998/99, some states reduced tomato acreage slightly and thus expected production. The weather for the winter tomatoes was excellent, resulting in excellent yields, but creating a saturated international market and very low prices for the domestic market.

The fresh tomato production estimate for MY 1998, as well as planting and harvesting estimates, have been revised upward based on recent estimates released by the Secretariat of Agriculture, Livestock, and Rural Development (SAGAR). Producers indicate that previous good prices encouraged more plantings during MY 1998.

CONSUMPTION

The tomato consumption forecast for MY 1999 is higher due to a better consumer purchasing power, lower tomato prices and less exports. In fact, the oversupply of tomatoes at the beginning of 2000 lowered domestic tomato prices. Consumption estimates for MY 1998 increased compared to MY 1997 estimates due to greater supply. Final consumption data, however, depends on tomato exports to the United States because domestic consumption tends to be a residual after exports.

Wholesale prices during the beginning of 2000 were lower than 1999 prices due to more product being available in the domestic market. Wholesale prices for February 2000 were 3.66 pesos/Kg (US\$0.38/Kg), a decrease of almost 11 percent compared to February 1999 prices. When fresh market prices are very attractive, some tomatoes for processing are diverted to the fresh market, but that did not occur this time. On the contrary, for MY 1999, some winter fresh tomatoes that could not be exported due to trade problems and ended up going to processing.

TRADE

Exporters indicate that winter tomato exports were good during November and December 1999, reaching prices of US\$16-18 per 25 pound box. But afterwards, up to mid-March, prices dropped sharply to the reference price of US\$5.27 per 25 pound box. Oversupplies from Sinaloa and Florida reportedly caused a glut in the international market. To prevent prices going further under the U.S. reference price, producers returned tomatoes from the border. Also, producers decided to ship only colors 1 to 4 to the export market and stopped shipping the riper 5 and 6 colors. Quality and size control also became more strict, and quality inspection increased to 90 percent. According to growers, they shipped only US grade No.1 tomatoes. Growers indicated that approximately 740,000 boxes that weighed between 16 and 25

pounds had to be shipped back from the Nogales border, compared to the approximately 500,000 boxes they shipped back in 1999. Also, about 3,000 MT of tomatoes were donated to the Food Bank. Some other tomatoes were sold for processing and the rest were used as livestock feed or left unharvested. Growers indicated that MY 1999 exports are expected to be 8 percent less than MY 1998 exports. According to Mexican trade data, tomato exports for MY 1998 were 620,733 MT.

Imports of fresh tomatoes from the United States represent a small portion of fresh consumption in Mexico. According to Mexican data, however, imports increased from 6,910 MT in 1998 to 12,521 MT in 1999. Tomato imports depend heavily on the recovery of Mexico's economy, and the exchange rate which has been relatively stable. Tomato tariff classification numbers are 07.02.002, 07.02.004, 07.02.006.

TOMATO PASTE

PRODUCTION

The forecast of tomatoes delivered for processing in MY 2000/2001 (March/February) is revised downward to 240,000 MT. The tomato industry indicates that international demand decreased due to higher international inventories, thus forcing Mexican companies to further reduce production. Although more tomatoes were available for the processing industry at cheaper prices, due to domestic overproduction, Mexican companies indicate that they had to stop working earlier than usual to prevent tomato paste oversupplies.

The estimates of tomatoes delivered to processing and tomato paste production for MY 1999 are revised downward based on the most current available information. This season, the processing industry did not have to compete so much with the fresh market because weather and international price conditions increased the supply of processing tomatoes compared to MY 1998. Tomato paste production estimates for MY 1998 are revised upward based on the best available information. Most plants operate March through June. Tomato paste production data are difficult to obtain because they are not officially published and only a few producers provide accurate partial data.

The forecast of area planted and harvested for processing tomatoes for MY 2000 is revised downward due to the large supplies of domestic fresh tomatoes. As always, the area harvested for processing purposes will depend on the demand for fresh tomatoes in the domestic and international markets.

CONSUMPTION

Note: The tomato paste consumption data includes domestic production and tomato paste imported by the paste industry and the dehydration industry. According to sources, all of the dehydrated product is exported.

Tomato paste consumption is estimated as the residual after subtracting exports and ending stocks from total supply, then adding imports as appropriate. Although the domestic market is not very large, it acts as a buffer for oversupplies of canned tomato paste. Even though domestic consumption of tomato paste is growing due to the large variety of products prepared with tomato paste, the growth has been slow.

The forecast for tomato paste consumption for MY 2000 is revised downward due to expected lower supplies. Final consumption for MY 2000, however, will depend on export demand, which is also expected to be low. The consumption estimate for MY 1999 is revised upward based on data showing larger imports of tomato paste. Tomato paste consumption for MY 1998 has been revised downward because more was exported than had been expected. High capital costs and the lack of warehouses encourage processors to sell excess supplies into the domestic market rather than maintain inventories.

TRADE

The forecast of Mexican tomato paste exports for MY 2000 has been revised downward due to high international inventories and low international prices. The MY 1999 export estimate has been revised downward, and the MY 1998 export estimate has been revised upward based on the most current available Mexican trade data.

The tomato paste import estimate for MY 2000 is revised upward, but not as high as in MY 1999 because of the international glut. The import estimate for MY 1999 is revised upward, and the import estimate for MY 1998 is revised downward based on recent trade data. According to sources, the tomato paste industry imports approximately 2,000 to 3,000 MT of tomato paste to mix with domestic production, and the tomato dehydration industry imports between 4,000 and 5,000 MT of tomato paste to be processed into powder and then re-exported.